

Environmental Clean Technologies Limited  
ASX Half Year report - 31 December 2008

Lodged with the ASX under Listing Rule 4.2A

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Environmental Clean Technologies Limited  
Year ended 31 December 2008

Results for Announcement to the Market

		%		\$
<b>Revenue</b> from ordinary activities	Down	43.45	to	32,917
<b>Loss</b> from ordinary activities after tax attributable to members	Down	47.10	to	(1,046,824)
<b>Net Loss</b> for the period attributable to members	Down	47.10	to	(1,046,824)

<b>Dividends/distributions</b>	Amount per security	Franked amount per security
Interim dividend (31 December 2007)	-	-
Final dividend (30 June 2008)	-	-
Interim dividend (31 December 2008)	-	-

**Record date** for determining entitlements to the dividend

**Periods**

Current Period - Six months ended 31 December 2008.

Previous Corresponding Period - Six months ended 31 December 2007.

### **Report of Directors on Financial Results**

The net result of operations after applicable income tax expense was a loss of \$1,046,824 (2007 loss: \$1,978,803).

### **Review of Operations**

The first half of 2008-09 has been met with a number of challenges stemming from a downturn in the global economic climate which has heavily impacted ECT's share prices and our ability to seal deals and meet sales objectives.

Despite the share price fall to below 0.02c per share, our loyal shareholders are holding tight as we determine the best options to secure our financial future.

We have successfully reduced our operational expenditure from \$3M in 2007-08 to a half yearly result of \$1.1M and forward forecast for 2008-09 is around \$2M. In these uncertain and unstable economic times, this is a pleasing result for a company of our size with little resources and a prime objective to take the Coldry technology to its next phase of commercialisation and commence pre-feasibility studies on Matmor.

We have continued negotiations and discussions with potential global purchasers of Coldry, and intend to begin initial marketing to over 1524 power stations capable of converting to Coldry immediately. These are primarily located in Eastern Europe, India, China and Indonesia.

Our milestones:

- 1) The Coldry technology was completed and commercially tested by an independent operator at our Bacchus Marsh Pilot Plant.
- 2) The Commercialisation plan has been completed and approved by the Board.
- 3) The company is now scaling up the plant designs through a world wide engineering company (Arup).
- 4) Discussions are in progress with a number of Australian and overseas companies regarding their interest in the use of the Coldry technology.
- 5) Identification that the Coldry technology can also be used for the dewatering of some sub-bituminous coals.
- 6) Advanced planning and preparation for the establishment of the first commercial plant for the processing of Coldry.
- 7) Testing on Indonesian coals has commenced.
- 8) Progression has been made on securing a deal from Vietnamese company Victoria Capital for the purchase of 20M tonnes of Coldry over 20 years.

In the administration area we have:

- 1) Transferred the company's head office to central Melbourne to be closer to our advisors
- 2) More effectively managed our use of space.

The Board has:

- Made a conscious decision to contain costs while still working towards identifying appropriate future board members that will assist in growing the business.

Shareholder liaison:

- All telephone and email shareholder contacts are dealt with as expeditiously as possible 7 days a week even though we are operating the company with minimum staff.
- The ASX is advised on a continuous disclosure basis.

This company is not yet a revenue producer and, until such time as revenue is produced it will continue to rely on capital raisings and borrowings. The Board have achieved considerable reduction in the cost of operations, however scaling up of the Coldry plant and the work that is necessary to complete the commissioning of the Matmor technology, will continue to require financial input.

**Appendix 4D**  
**Half Year report**  
**Period ending 31 December 2008**

Environmental Clean Technologies Limited  
 Condensed Income Statement  
 For the period ended 31 December 2008

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Revenue	32,917	58,206
Other Revenue	<u>232,625</u>	<u>351,527</u>
	265,542	409,733
Raw materials and consumables used	114,072	678,445
Employee benefits expense	228,982	485,619
Depreciation and amortisation expense	71,044	105,483
Travel	55,947	53,073
Rent	1,709	59,823
Corporate costs	402,133	143,922
Consultants	103,826	501,667
Insurance	11,020	29,468
Interest	194,369	166,180
Patent fees	7,783	7,323
Other expenses from ordinary activities	<u>121,481</u>	<u>157,532</u>
Loss before income tax expense	<u>(1,046,824)</u>	<u>(1,978,803)</u>
Income tax expense	<u>-</u>	<u>-</u>
Net profit attributable to members of Environmental Clean Technologies Limited	<u>(1,046,824)</u>	<u>(1,978,803)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.33)	(0.71)
Diluted earnings per share	(0.33)	(0.71)

**Appendix 4D**  
**Half Year report**  
**Period ending 31 December 2008**

Environmental Clean Technologies Limited  
Condensed Balance Sheet  
as at 31 December 2008

	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	47,444	392,301
Receivables	828,649	183,202
<b>TOTAL CURRENT ASSETS</b>	<u>876,093</u>	<u>575,503</u>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	368,231	542,440
<b>TOTAL NON CURRENT ASSETS</b>	<u>368,231</u>	<u>542,440</u>
<b>TOTAL ASSETS</b>	<u>1,244,324</u>	<u>1,117,943</u>
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	739,425	421,450
Borrowings	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>739,425</u>	<u>421,450</u>
<b>NON CURRENT LIABILITIES</b>		
Borrowings	1,781,101	1,324,122
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>1,781,101</u>	<u>1,324,122</u>
<b>TOTAL LIABILITIES</b>	<u>2,520,526</u>	<u>1,745,572</u>
<b>NET ASSETS</b>	<u>(1,276,202)</u>	<u>(627,629)</u>
<b>EQUITY</b>		
Issued capital	29,133,445	27,538,038
Reserves	1,461,070	1,343,849
Retained profits(losses)	(31,870,717)	(29,329,516)
<b>TOTAL EQUITY</b>	<u>(1,276,202)</u>	<u>(627,629)</u>

**Appendix 4D**  
**Half Year report**  
**Period ending 31 December 2008**

Environmental Clean Technologies Limited  
**Condensed Cash Flow Statement**  
For the period ended 31 December 2008

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	-
Payments to suppliers and employees	<u>(660,971)</u>	<u>(2,176,242)</u>
Miscellaneous income and cash received	-	20,000
Interest received	2,990	7,050
Interest and other costs of finance paid	<u>-</u>	<u>(75,112)</u>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<u>(657,980)</u>	<u>(2,224,304)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(1,960)	(3,431)
Proceeds from sale of property, plant and equipment	-	-
Payments for research and development costs	<u>-</u>	<u>-</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<u>(1,960)</u>	<u>(3,431)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment of borrowings)	-	(426,472)
Receipts from issue of equity	382,951	3,001,739
<b>NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<u>382,951</u>	<u>2,575,267</u>
<b>NET (DECREASE) INCREASE IN CASH HELD</b>	(276,989)	347,532
Cash at the beginning of the financial year	<u>324,433</u>	<u>44,769</u>
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<u>47,444</u>	<u>392,301</u>

**Changes in accounting policies**

NIL

**Fundamental errors**

NIL

**Extraordinary items**

NIL

**Segment note**

NIL

**Discontinuing operations**

NIL

**Events occurring after reporting date**

On Friday 13 February 2009, Environmental Clean Technologies (ESI) advised that Pacific Capital Value Limited (PCVL) purported to issue it with a "notice of default" in relation to the note certificates issued to PCVL on 17 December 2008 under the subscription agreement dated 18 November 2008.

ESI considers that the purported notice of default is invalid because:

- a) it has not been served on ESI in accordance with the delivery procedure for notices under the Subscription Agreement;
- b) it relies upon ESI's refusal to issue conversion shares to PCVL before payment for those shares has been made as constituting a default by ESI, whereas ESI disputes that it is required to issue the shares in those circumstances;
- c) it asserts that ESI has breached the Subscription Agreement, but does not



**Appendix 4D**  
**Half Year report**  
**Period ending 31 December 2008**

describe any such breach; and

- d) alleged breaches by the party to the Note certificates must be the subject of a remediation notice before any event of default can exist, and no such notice has been given.

On 16 February 2009, ESI served PCVF with a notice of breach due to PCVL's failure to perform its obligations under the Subscription Agreement, and has given PCVL 10 Business Days in which to remedy those breaches. The breaches relate to PCVL's failure to pay for conversion shares and its dealings with shares in ESI lent to it in accordance with the Subscription Agreement.

The likely financial ramifications of this dispute are unknown at this time but are not expected to exceed \$100,000. Given these events, ESI considers it unlikely that any more convertible notes will be issued to PCVL.

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**Additional dividend/distribution information**

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2008 are as follows:

No dividends were declared by the directors for the period ended 31 December 2008
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**Dividend/distribution reinvestment plans**

Not Applicable
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**Retained Earnings**

	31 Dec 2008
	\$
Retained earnings at the beginning of the period	(30,823,893)
Net profit attributable to members of ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED	(1,046,824)
Dividends paid	-
Retained profits at the end of the period	<u>(31,870,717)</u>

**NTA Backing**

	2008	2007
Net tangible asset backing per ordinary share	(0.37) cents	(0.38) cents

**Controlled entities acquired or disposed of**

Not applicable

**Associates and Joint Venture entities**

Not applicable

**Foreign Accounting standards**

Not applicable

**Audit**

This report is based on the half year financial report which is currently being reviewed.

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